

MONTANA BOARD OF HOUSING

301 S. Park – Room 228 and via Webinar, Helena MT
October 17, 2011

ROLL CALL OF BOARD

MEMBERS: J.P. Crowley, Chairman (Present)
Betsy Scanlin, Vice Chairman (Present)
Jeff Rupp, Secretary (Present)
Bob Gauthier (Present)
Jeanette McKee (Present)
Sheila Rice (Present)
Audrey Black Eagle (Excused)

STAFF: Bruce Brensdal, Executive Director
Chuck Nemec, Accounting
Nancy Leifer, Homeownership Program
Mary Bair, Multifamily Program
Vicki Bauer, Accounting Program
Penny Cope, Marketing & Web Specialist
Paula Loving, Administrative Assistant
Emy Ingebritson, Multifamily Program
Charlie Brown, Homeownership Program
Kellie Guariliga, Multifamily Program

COUNSEL: Greg Gould, Luxan and Murfitt
John Wagner, Kutak Rock

UNDERWRITERS: Gordon Hoven, Piper Jaffray

OTHERS: Kelly Gill, BlueLine Development
Tim German, Sparrow Group
Alex Burkhalter, Sparrow Group
Tim Howard, HCC
Jack Jenks, Summit Housing Group
Don Sterhan, Mountain Plains Equity Group
Dawn Willey, Benefis Health Systems
Sue Warren, Benefis Health Systems
Jared Hawskins, Edward Jones Investments
Mat Rude, Rocky Mountain Development Council
Michael O’Niell, AWARE

Mark Aldridge, Legislative Audit Division
Kris Wilkenson, LFD
Andrea Davison, homeWORD
Jerry Patasek, North Missoula Community Development Corp.
Ursula Russette, Chippewa Cree Housing Authority

CALL MEETING TO ORDER

Chairman JP Crowley called the Montana Board of Housing (MBOH) to Order at 9:05 AM after the 2012 Qualified Allocation Plan Public Hearing. Introductions were made.

APPROVAL OF MINUTES

Betsy Scanlin moved to approve the September 12, 2011 Board minutes, with Bob Gauthier seconding the motion. The Chairman asked for comments. The September 12, 2011 minutes were approved unanimously.

MULTIFAMILY PROGRAM

Mary Bair provided to the Board the 2012 Qualified Allocation Plan (QAP). Bruce Brensdal provided a history of the 2012 QAP. A complete review of the Plan has been completed by Jeanne Peterson. The 2012 QAP Workshop was held in May 2011. A complete reformat of the Plan was completed for better understanding by Developers. The 2012 QAP was approved and published for Public Comment period. Greg Gould, Board Counsel, confirmed Bruce Brensdal that all public comments and summaries have been provided to the Board members and the public and therefore, any and all of the public comments may be brought forward in this meeting and discussed to resolution.

Mary Bair brought from public comments the possibility of preference points for projects that include 100% smoke free policies in their projects. Betsy Scanlin stated that since the compliance is mandatory when awarding points for non-smoking units, MBOH should not require the units, however, encouragement of healthy atmosphere should be expressed. Jeff Rupp stated the Board should either require it or leave it to the individual properties to enforce it. Jeanette McKee agreed with Jeff's comments. Bob Gauthier stated that while he supports the Smoke-Free environment, it is not MBOH's responsibility to enforce the Smoke-Free properties.

Mary Bair noted on the Scoring Criteria #9 should not require a written agreement with service provider for units targeted for seniors. This stems from an inadvertently addition of "seniors" to the developmentally disabled written agreement with service providers. Jeanette McKee moved that Scoring Criteria #9 should not require a written agreement with service providers for units targeted for seniors and the line that was inadvertently deleted concerning seniors be added back in. Jeff Rupp seconded the motion. Chairman Crowley asked for comments. The change was approved.

Betsy Scanlin moved to "have developers present their projects to the Board the month after submittal before scoring and ranking is done. After scoring and ranking are completed developers would be available to the Board for questions

but not presentations. Bob Gauthier seconded the motion. Betsy stated the timely information helps serve the Board in making the best decision for Tax Credit dollars. Bob Gauthier stated that this would give the Board the opportunity to discuss the projects with staff prior to the approval process. Jeff Rupp stated that anything that will help communication between the Board, Staff and Developers should be encouraged, however, he wanted it to be defined that this is an informational opportunity only for developers and not for the purpose of comparison to another projects. Discussion was centered on a deadline for all public comment to ensure proper response by Developers. Betsy Scanlin stated that the Board should have a comment public deadline, even if only a week before vote, in order for ample time response. Jeff Rupp stated that if there is a concern or additional information that would help make the best decision, he would like to hear the information. Mat Rude, RMDC, stated that if public comment is limited to a deadline, should a Board member have a question during the approval process, the developers and/or public would not be allowed to respond. Jeff Rupp made note of the motion on the table which is to have developers present their projects to the Board the month after submittal and does not address the public comment deadline. Betsy Scanlin offered a motion amendment to allow developers to respond to public comments. Bob stated that this seems like a type of appeal process to the scoring and if this is the intent, the Board should put more discussion into this process. Sheila Rice called for the question on the motion as originally stated. Jeanette McKee seconded the motion. The original motion to have developers present their projects to the Board the month after submittal before scoring and ranking is done. After scoring and ranking are completed developers would be available to the Board for questions but not presentations was approved unanimously.

Jeff Rupp moved and Bob Gauthier seconded the motion to approve the recommended best practices for tax credits concerning the area of development const limitations by adding the following language to the Development Cost Limitations section of the QAP, currently on the page 7 draft plan under Per-unit Cost/Cost Per Square Foot:

- All applications will be required to provide justification for their development costs. These costs will be analyzed and scrutinized considering the individual characteristics of the project listed above and will be compared to other like projects. If a project is not recommended for funding a basis for such recommendation will be provided.

Even though the cost of some developments may be justifiable and eve in some contexts considered reasonable given their unique characteristics the Board may reject a development recognizing the location or amenities may simply make it cost prohibitive.

Development costs analysis will be done on total development costs, not just those costs eligible for the credit financing. Other funding utilized to bring down the amount of credit that may be needed to finance the project will not be considered as justification for higher costs.

The Board will require sponsors to certify that they have disclosed all of a development's funding sources and uses, as well as its total financing, and will disclose any future changes in funding to the Board.

Chairman Crowley asked for comments. Betsy Scanlin asked if this was in response to the pool project recently reviewed by the Board. Bruce stated the rationale behind this addition to the 2012 QAP is to have a full picture of the total

cost of the projects. JP Crowley stated that NCSHA is addressing the total cost per unit, taking into consideration private funding, grants and tax credits. The motion passed with Betsy Scanlin voting against the motion.

Bob Gauthier discussed geographical distribution within the QAP. Betsy Scanlin stated the market analysis and Developers outline the areas of need for housing. Jeff Rupp stated he is very comfortable with the current process the Board uses to allocations.

Jeff Rupp requested a discussion centering on the underwriting discussion points. Bruce Brensdal stated staff will underwrite the vacancy rate based on projects. Jeff asked about the increase minimum rehab from \$10,000 per unit to \$25,000. Bruce stated Staff is currently allocating approximately \$6,000 per unit. Bruce recommends the 2013 QAP workshop include all of these underwriting points.

Betsy Scanlin expressed her concern of not addressing each public comment to the 2012 Qualified Allocation Plan, stating the public comments are not carried over to the 2013 workshop. Sheila Rice stated the Board has reviewed and taken into consideration the public comment and listened during the Public Hearing. Based on the Board's approved 2012 QAP changes today, Sheila Rice moved to approve the 2012 Qualified Allocation Plan and Jeanette McKee seconded the motion. Chairman asked for comments. Betsy asked for clarification regarding the remaining public comments that have not been addressed by the Board. Bruce stated several of the comments are in support of the changes that have been incorporated into the QAP and was reviewed by the Board at a previous meeting. Jeanette McKee called for question on the motion on the table. Bob Gauthier seconded the motion. The question was approved unanimously. The 2012 amended Qualified Allocation Plan was approved unanimously.

Mary Bair brought to the Board two additional Tax Credit Projects for consideration. Cascade Ridge Senior Living is requesting additional allocation of annual tax credits in the amount of \$11,723. The final bids for construction costs have increased since the time of original application. Sheila Rice moved to approve the additional \$11,723 to Cascade Ridge Senior Living. Chairman Crowley asked for comments. Betsy Scanlin stated full support for the additional tax credits for a project MBOH awarded earlier this year. The Cascade Ridge Senior Living request for \$11,723 additional tax credit request was approved unanimously.

Kelly Gill, BlueLine Development, requested additional tax credits for the Two Rivers Apartments in the amount of \$17,223. This amount is supported by updated eligible basis and will enable the project to add several quality of life amenities that were not included in the plan. Betsy Scanlin moved to approve the additional tax credits of \$17,223 to the Two Rivers Apartments and Jeanette McKee seconded the motion. The Chairman asked for comments. The additional tax credits were approved unanimously.

FINANCE PROGRAM

Chuck Nemec updated the Board with the MBOH Finances. The 10-year treasury opened Monday at 2.20%. Bruce Brensdal signed the Bond Purchase Agreement so MBOH is legally committed to the 2011B and 2009C Bond Issuances. As part of the Bond Issuances, MBOH will be refinancing approximately 1,000 loans.

HOMEOWNERSHIP PROGRAM

Nancy Leifer provided the Board with the Bond Issue update. Nancy provided a brief history of the Annual Servicer Audit. The Audit consisted of Community Bank of Ronan and Stockman Bank. Nancy introduced Mark Aldridge, Legislative Audit Division, who provided the results of the Audit. There were two findings.

Nancy Leifer updated the Board on the MBOH reservations. The interest rates have been steady at 3.875%, however, the rate was reduced to 3.75%.

Nancy Leifer reviewed the MBOH Delinquency and Foreclosure Rates. MBOH rates remain lower than Regional and National rates.

Nancy Leifer provided a year-end report on the Mortgage Credit Certificate (MCC) Program. MBOH financed 58 MCC loans, with approximately \$11 million balance for the upcoming year.

Nancy Leifer updated the Board on the new Montana Veterans Loan Program. MBOH has created an online training program for Lenders. This will allow Lenders to learn the requirements of the program, prior to the implementation of the program.

Nancy Leifer provided an update on the Emergency Home Loan Program (EHLP). Due to the strict requirements of the program, as of time of meeting there has been one loan that has qualified for the program. Sheila Rice stated the remaining loans have been moved into the regular Foreclosure and Mitigation Program and are being helped with counseling and negotiations.

Nancy Leifer provided the Board with the Set-aside Program balances. Nancy brought to the Board two Set-aside extensions. Burns Street Commons requested the extension of \$900,000 to December 31, 2013. Jerry Patasek, North Missoula Community Development Corporation, stated the extension would provide access to funds in the future for the remaining unsold units, should interest rates increase. Betsy Scanlin moved to approve the extension of the Burns Street Commons extension and Sheila Rice seconded the motion. Chairman Crowley asked for comments. The extension of \$900,000 of Set-aside funds was approved for Burns Street Commons.

Chippewa Cree Housing Authority (CCHA) requested an extension on the CCHA Malstrom AFB Project to December 31, 2013. CCHA moved 60 homes from Malstrom AFB to the reservation, rehabbed the units and provided them with infrastructure. These units are currently being rented by prospective homebuyers from CCHA. The program has been hampered by the administrative difficulties in the TSR process. Once this process is resolved the program would be able to proceed. Bob Gauthier moved to approve the extension of the Chippewa Cree Housing Authority Malstrom AFB Project to December 31, 2013. Jeanette McKee seconded the motion. The Chairman asked for comments. The extension was approved unanimously.

Nancy Leifer requested the extension of Lot Refinance Set-aside to December 31, 2012. These funds are used to purchase new construction loans for which the borrowers have been financing purchase of the land for more than two years. Restrictions on other bond funds limit financing to 2 years. This is the only way MBOH can finance a loan for new construction where the borrowers have been paying for the land for more than two years. Sheila Rice moved to approve the extension of the Lot Refinance Set-aside to December 31, 2013 and Jeff Rupp seconded the motion. Chairman Crowley asked for comments. The extension was approved unanimously.

The Board thanked Nancy for her years of services for MBOH.

EXECUTIVE DIRECTOR

Penny Cope demonstrated the e-learning software MBOH is utilizing for the Lender training of the Montana Veterans Home Loan Program. This software will allow MBOH Staff to provide training to lenders, staff, and potential homeowners. Penny updated the Board on the Montana Homeownership Network - "Now is a Good Time to Buy a House" website link.

Jeff Rupp noted JP Crowley was elected 2nd Vice President of the National Council of State Housing Boards (NCSHB). Jeff Rupp requested MBOH Staff write a letter to Sheila's supervisor, showing the appreciation to Sheila and her staff for all the support NeighborWorks provides to MBOH.

Based on the upcoming Governor election and uncertainty, Jeff Rupp nominated Jeanette McKee as Chairperson, Bob Gauthier as Vice Chairperson, and Sheila Rice as Secretary as Board Officers starting January 2012. Jeanette McKee stated she appreciated the nomination, however, would be willing to consider a change in leadership in 2013. Bob Gauthier stated that with JP's new election to NCSHB and the uncertainty of the legislative makeup, stability is important. Betsy Scanlin moved to maintain the current officers: JP Crowley – Chairman, Betsy Scanlin – Vice Chairperson, and Jeff Rupp – Secretary. Chairman Crowley asked for comments. The current officers were approved

Meeting adjourned at 11:55 AM

Jeffrey Rupp, Secretary

Date